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REPORT OF THE SOUTH COMMISSION

Note by the Secretary-General

1. In its resolution 45/195 of 21 December 1990, the General Assembly, taking note with appreciation of the report entitled The Challenge to the South: The Report of the South Commission 1/ and the overview and summary of the South Commission report (A/45/810 and Corr.1), requested the Secretary-General, in consultation with the President of the Economic and Social Council, to convene, during the second regular session of 1991 of the Council, a meeting devoted to an informal exchange of views on the conclusions and recommendations contained in the report of the South Commission, in particular, in its overview and summary. The Assembly invited Governments and the organs, organizations and bodies of the United Nations system to submit their views on those conclusions and recommendations for consideration at that meeting of the Council.

2. The Secretary-General has the honour to transmit to the members of the Council the substantive views of bodies of the United Nations system and of Governments received as at 5 June 1991, which are reproduced in the annex to the present note. Further replies received will be presented as addenda to the present note.

1/ Oxford and New York, Oxford University Press, 1990.

Annex

REPLIES RECEIVED FROM GOVERNMENTS AND FROM BODIES OF THE UNITED NATIONS SYSTEM

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I. REPLIES RECEIVED FROM GOVERNMENTS

Algeria

[Original: French]

1. Algeria welcomes and endorses the lucid analysis and relevant recommendations of the South Commission Report entitled "The Challenge to the South".

2. Setting up the South Commission under the chairmanship of Mwalimu Julius K. Nyerere, former President of the United Republic of Tanzania, was, without a doubt, an original initiative unprecedented in the contemporary history of South-South cooperation.

3. The establishment of this Commission, composed of 28 key figures from the South, in the mid-1980s - a decade appropriately described as a total loss as regards the development of developing countries - was in itself eloquent evidence of the determination of the countries of the South to spare no effort in their quest for the path to development and sustainable economic growth best adapted to their needs and to their specific realities.

4. The establishment of such a Commission, composed exclusively of personalities from the South, has shown how to strengthen the principle of self-reliance and attain individual and collective self-reliance for the developing countries through greater use of their own potential for economic complementarity.

5. Thus, the good point about the South Commission Report - the result of more than three years of hard work - is that it has shed new light on the variety of, as yet largely unexplored, potentialities inherent in the furtherance of South-South cooperation, reactivated by a new vision of development which puts people at the centre of its range of activities.

6. In so doing, the South Commission Report comes as a timely addition to past initiatives undertaken by developing countries, within the framework of the Movement of Non-Aligned Countries and the Group of 77, with a view to establishing dynamic horizontal cooperation.

7. These initiatives include the Arusha Programme for Collective Self-Reliance and Framework for Negotiations adopted at the Fourth Ministerial Meeting of the Group of 77, and the Caracas Programme of Action on Economic Cooperation among Developing Countries (A/36/333 and Corr.1, annex), whose institutional support and follow-up mechanisms, including the Intergovernmental Follow-up Coordination Committee (IFCC), will have largely contributed to setting up the Global System of Trade Preferences (GSTP) among developing countries.

8. Thus, the South Commission Report, while providing a lucid and unaccommodating review of the efforts as well as the mistakes made by

developing countries over the years, brings a message of hope as regards the individual and joint capacities of the countries of the South to deal with the numerous challenges awaiting their populations.

9. The three-part agenda of action proposed by the South Commission is intended to be the instrument for fulfilling that hope in that it could lead to the establishment of an authentic system of economic interdependence based on maximum mobilization of the resources and markets of the countries of the South.

10. None the less, while the success of this innovative agenda depends on mobilizing the efforts of the countries themselves, it is also dependent on a substantial improvement in the international economic environment which continues to weigh heavily on the vulnerable economies of the countries of the South.

11. For any development strategy in the countries of the South to succeed, the international economic environment must be improved by eliminating its disastrous effects on the economic growth of the weakest links in the chain of nations.

12. Accordingly, the international community should brace itself to consider the specific recommendations addressed to it in chapter V of the South Commission Report. Their effective implementation would, without a doubt, lead to renewed North-South and South-South international economic cooperation.

13. The United Nations, true to its own ideal, is duty-bound to contribute to that task by intensifying its activities for promoting South-South cooperation.

14. The informal exchange of views to be held during the second regular session of the Economic and Social Council in 1991 pursuant to the relevant provisions of General Assembly resolution 45/195 is an appropriate device for considering such a contribution.

Austria

[Original: English]

1. The delegation of Austria expressed itself positively on the report of the South Commission during the discussions that took place at the forty-fifth session of the General Assembly. It is essential that the developing countries become fully aware of the need to assume responsibility for their own development. This seems to be the primary premise of the report. We welcome it as a positive signal.

2. The report displays a relatively high degree of realism. It denounces the unfavourable global economic environment but is, at the same time, ready to admit that the chances of altering it are slim: "The South cannot count on

a significant improvement in the international economic environment for its development in the 1990s. The development of the South will therefore need to be fuelled by its own resources to a much greater degree than in the past" (The Challenge to the South, p. 79).

3. The report dedicates considerable space to a self-critical analysis of past development experience. In trying to answer the question "What went wrong?" it draws some frank conclusions. The Government of Austria would particularly agree with the statement that "the uncritical imitation of Western models has weakened resilience and cohesion" in developing countries and that "development strategies have often failed to utilize the enormous reserves of traditional wisdom and of creativity and enterprise in the countries of the Third World" (The Challenge to the South, p. 46).

4. The Government also agrees with the main development objectives defined in the report - that growth strategies are to be based upon such principles as the modernization of agriculture, fairer distribution of income, democratization and the guarantee of human rights, mobilization at the grass-roots level, encouragement of entrepreneurship, greater efficiency of the public sector, enhancement of the role of women and an effort to substitute indigenous cultural values for the life-styles and consumption patterns of the affluent industrial societies (The Challenge to the South, pp. 80 and 81). This enumeration leaves little to be desired.

5. There is, of course, no single and simple recipe to foster a country's development. In this respect flexibility reather than dogmatism is called for. It certainly helps to study the experience of other countries - to learn from both success and failure - but it does not seem permissible to simply copy the model of this or of that country. Indeed, since the starting conditions vary, the results will inevitably vary. What works in one country could be disastrous in another.

6. As to the policies adopted by Governments, the report states that "there is an undeniable need ... for public intervention .... The real issue is how to ... (make) intervention effective" (The Challenge to the South, p. 51). The Government does not take issue with this. It admits the need for government intervention and the need for this intervention to be effective. However, it is necessary to define government intervention and also to evaluate the possibilities of consistent application of intervention policies in the context of a country's overall situation - its level of education, the motivation of its people, the distribution of wealth, the way political decisions are arrived at and how they are enforced or circumvented in a society. All of these factors and many more have to be taken into consideration in the elaboration of a development strategy.

7. In the past, the record of government intervention has not been very convincing in many countries. In some countries the economy seems to have advanced not because of, but despite government intervention. Government intervention is an extremely powerful tool, particularly, it would seem, as regards its negative consequences. Bad policies or the inconsistent

application of policies often do more harm to an economy than does the absence of policies. This may sound ideological but it is the lesson to be learned from such studies as de Soto's "El otro sendero". Since the execution of economic policies tends to be particularly unsatisfactory in developing countries that lack sufficient infrastructure and reliable legal and administrative procedures, the call for deregulation seems justified. It is rightly taken up by the report: "Most Governments of the South tended to overcentralize administration and planning .... Such centralization led often to excessive power being vested in a few senior bureaucrats, who were not always immune to the temptations inseparable from such power .... This centralization tended to lead to snail-pace decision-making and to inefficiency" (The Challenge to the South, p. 49).

8. It is regrettable that the report does not contain a clear commitment to the market economy, which is obviously the best guarantee of the success of the development strategy it recommends. The market economy is referred to in circumscribed and ambivalent terms, e.g. "A situation in which market forces create a pattern of resource allocation or income distribution inconsistent with national objectives can justify State intervention" (A/45/810, p. 25). Another reference, while implying that market forces are not bad per se, is even less encouraging: "Excessive reliance on market forces can lead to concentration of economic power and wider disparities in income and wealth, to the underutilization of resources, to unemployment and to the wastage of the savings potential" (The Challenge to the South, pp. 114 and 115).

9. This concern with the possibly damaging consequences of market forces appears paradoxical considering that in many developing countries the market is only just starting to function in a rudimentary way. Contrary to the concerns expressed in the report, Austria holds that a well-functioning market promotes competition and therefore counteracts the concentration of economic power that is often favoured by government policies and that permits the formation of monopolies and cartels. A well-functioning market has also been shown to lessen income disparities that often result from a concentration of political power in the hands of the privileged few. A well-functioning market is by far the best guarantee of an efficient use of resources. (Whether these resources, including national savings, are to be spent on investment or consumption can be influenced by macroeconomic policies and has nothing to do with the basic concept of a functioning market economy.) As far as unemployment is concerned, after the collapse of the economies that thought they could guarantee full employment at the cost of competitiveness and productivity, it is hardly necessary to point out that unemployment is a result of structural weaknesses that become greater to the extent that market forces are disregarded.

10. The same inconsistencies appear in the chapters dedicated to North-South relations. The report calls for a fundamental restructuring of the international economic system. This sounds familiar. Undoubtedly, the mechanisms of the multilateral economic system can and should be improved in accordance with changing needs, but one should be wary of constructivist solutions. The approach to reforming the international system should not differ basically from the approach to domestic issues.

11. The Uruguay Round of multilateral trade negotiations are a case in point: they clearly show where the main problems of the international trading system lie and how to remedy them. The same basic approach holds for the areas of commodities and foreign investment. Price stabilization in the face of an oversupply of commodities has proved impracticable. Rather than trying to uphold prices artificially, commodity-producing countries will have to adopt policies to lessen their commodity dependence. In the same vein, financial flows to developing countries are important, but only within the limits of the absorption capacity of each country. If investment is not put to productive use, it aggravates a country's debt without improving its overall economic situation. This clearly shows that the domestic situation cannot be separated from the international one. When speaking of the undeniable need for foreign investment one cannot remain silent on the preconditions that have to be created in an economy for such investment to produce the desired results.

12. In conclusion, the Government of Austria wishes to stress once again that it considers the report a useful contribution to the North-South dialogue, recognizes that its views have much in common with the analysis and conclusions contained in the report, and welcomes an exchange of views on the subject. However, the Government also believes that in certain areas inconsistencies exist, notably concerning the role of market forces in both domestic and international economic policies. It is simply not true that developing countries are "condemned" to specialize in low-value-added, low-technology production and exports, as the report would have us believe (A/45/810, p. 41). Each emerging economy has to compete on the basis of price rather than quality or innovation. But this has not impeded countries from progressing. The development of Japan, the Republic of Korea and other countries shows that the process of upgrading, once the necessary conditions have been created, does not stop and that it is possible to challenge advanced economies in most areas of production.

13. The report itself indicates clearly how progress is to be achieved in stressing the need to concentrate on human resource development at all levels, from primary education to sophisticated research, areas which have been neglected or insufficiently addressed by many developing countries, although not by the most successful among them. The Government knows of no example among the market economy countries where affluence has been achieved without a high general level of education. And it knows of no example of a country with a high level of education being afflicted by poverty and underdevelopment.

14. The report itself rightly maintains that there is no reason for exaggerated pessimism. Rather than demonstrating the "condemnation" of developing countries to a kind of second-class status, it provides clear evidence to the contrary when it affirms that economic and social progress in the countries of the South "has been impressive and should not be underestimated" and that "the increase of per capita incomes after 1950 ... compares favourably with the past development experience of industrial countries" (The Challenge to the South, pp. 25 and 32).

Bolivia

[Original: Spanish]

The national dimension: self-reliance and people-centred development

1. In the overview and summary of the the South Commission report, the Commission indicates that the main goal of a sustainable strategy of development is to meet basic needs. The Bolivian Government is endeavouring to meet basic requirements chiefly in rural areas, while eliminating extreme poverty and developing human resources in productive economic sectors.

2. With regard to the role of the State and the private sector in the operation of the Bolivian economy, the Government is adjusting and rationalizing the role played by the State and promoting more active involvement of the private sector.

3. Considerable progress has been made in eliminating inadequate accounting systems that encourage corruption in the public sector and are undemocratic. Bolivia has amply demonstrated the necessary political will to eradicate the scourge of drug trafficking and addiction. To that end, it has outlined for the benefit of the international community its views on an alternative form of development based on the creation of new sources of employment, a higher volume and wider range of exports, attracting capital and gaining access to markets.

4. The Bolivian Government fully endorses the view expressed in the report that development should combine high growth rates with equity and that the development process must be environmentally rational.

5. In connection with the latter point, a five-year "ecological pause" is in effect throughout Bolivia during which the exploitation and export of timber and of rare native animal species is prohibited, as from the beginning of the current administrative period. This restriction will be a milestone where the interaction of development processes is concerned, since it will clearly be to the economic detriment of some regional sectors that have no other natural resources, but it will be acceptable since its purpose is to contribute to the improvement of the environment.

6. The Government has prepared an agricultural development strategy based not only on the gradual replacement of coca cultivation and on the protection of the environment, already referred to, but also on raising farmers' incomes and expanding agricultural output and activities. Moreover, in keeping with the recommendations made in the report, steps are being taken to reorient investment policy for the benefit of the rural sector, an area in which encouraging progress has been made as a result of the financing of agricultural development and the establishment of a farmers' development fund.

7. With regard to policies on industry and trade, Bolivia is endeavouring to develop a comprehensive policy combining effective allocation of resources, technological improvements and promotion of international competitiveness, resulting in the creation of productive employment. All this will be possible, as indicated by the South Commission, given a stable and predictable macroeconomic system with realistic exchange rates and in view of Bolivia's long-term comparative advantages and the action taken by export-promotion institutions.

8. Furthermore, the State must provide assistance to small-scale industry. In that connection, the Government is embarking on a programme to promote small enterprises and crafts through technical assistance and the provision of access to credit lines, giving special emphasis to the issue of guarantees.

The strategic role of South-South cooperation

9. The Bolivian Government shares the South Commission's view concerning the need for developing countries to rely on their own resources and efforts to revitalize development, which would give such countries greater bargaining power internationally. As the Commission indicates, successful South-South cooperation will depend on a climate of confidence in the South itself, as well as on dignity for and solidarity with all segments of society. Furthermore, national leaders must demonstrate the necessary political will to promote throughout society the benefits of South-South cooperation, while fostering an awareness in their countries of such cooperation. Lastly, educational links at various levels between the countries of the South must be promoted, taking account of the specific situation in each individual country.

10. Some of the Bolivian Government's views on areas in which developing countries can cooperate with one another are listed below:

(a) Finance and external debt: Bolivia supports the Commission's view that the debt issue should be dealt with jointly by all debtor countries, which should endeavour to promote communication among one another, coordinate debt-management policy and consider making a common stand in the appropriate forums. However, that approach should not preclude action by each individual country within the framework of bilateral, subregional and regional cooperation. Bolivia has made pioneering progress where debt reduction is concerned, as illustrated by the innovative agreements that it has concluded with Argentina and Brazil, as a result of which a considerable amount of its debt to each of those countries has been written off. This demonstration of solidarity could be extended to other countries in the South. The Bolivian Government strongly supports the Commission's idea of revitalizing or creating various forms of financing machinery between developing countries and multilateral agencies, particularly with a view to strengthening trade between developing countries;

(b) Trade and commodities: Bolivia supports the Commission's proposal concerning the need to improve the Global System of Trade Preferences (GSTP).

Moreover, in view of recent developments regarding prices and raw materials on international markets, it is clearly necessary, as indicated in the Commission itself, to set up associations of producer countries to keep prices at reasonable levels within the framework of a stable regime;

(c) Science and technology: in these times of major technological progress and intense international competition, Bolivia endorses the Commission's proposal to carry out joint activities in this area; accordingly, core activities should be selected for research at subregional and regional levels in conventional areas like agriculture and energy, as well as in new sectors, and the activities of scientific institutions should be supplemented by means of the activities of enterprises through the commercial use of research outcomes;

(d) The environment: the Bolivian Government agrees with the Commission that the South should take a common approach towards negotiations with the North to ensure equitable management of the global environment and should sponsor technological arrangements that help to conserve energy and reduce environmental pollution. However, such an approach does not preclude the conclusion of subregional and regional agreements on the environment;

(e) A secretariat for the South: Bolivia's experience in 1990 with guiding the Group of 77 in its work in New York was such that the Bolivian Government is in favour of setting up a secretariat for the countries of the South to provide support for the Group of 77, the Movement of Non-Aligned Countries and the Group of 15 in carrying out their activities.

North-South relations and the international system

11. As the Commission indicates, sustained development necessitates a restructuring of the international economic system. To that end, measures must be taken to solve the debt problem and the consequent transfer of financial resources from the South to the North. The debt burden continues to place constraints on the developing countries, investment capacity, and is thus an obstacle to their growth and development. If the debt problem is to be solved, innovative initiatives must be taken, particularly with a view to changing the profile of non-concessional debt with the multilateral financial institutions, not precluding simultaneous debt reduction and debt service, and taking into account the ability of each individual country to pay.

12. Furthermore, Bolivia notes with interest - in connection with the issues of official development assistance, the Code of Conduct for Transnational Corporations, international liquidity, the international trading system, the transfer of technology, and the environment - that the Commission proposes that:

(a) Developed countries should fulfil the commitment of 0.7 per cent of GNP for official development assistance and 0.15 per cent of GNP in aid to the least developed countries, possibly increasing the percentage of GNP set aside for the latter form of aid;

(b) International action should be taken to adopt the Code of Conduct for Transnational Corporations, under negotiation since 1976;

(c) A mechanism for creating international liquidity in an orderly way should be set up with a view to the adoption of international arrangements to reduce misalignment of the exchange rates of the principal world currencies, so as to cushion developing countries against unexpected changes;

(d) The international trading system should be reformed so as to enable developing countries to step up their share of world trade, and a timetable should be established for lifting the protectionist barriers of the countries of the North, bringing the textiles trade under the normal disciplines of the General Agreement on Tariffs and Trade (GATT) and stabilizing world commodity prices;

(e) New arrangements should be adopted for the transfer of technology from the North on terms consistent with the development interests of the South. United Nations agencies should play a more prominent part in building up a scientific infrastructure in the countries of the South. Action should be taken to promote models of institutions engaged in applied research, as well as a network of research and training institutes for the development and application of high technology;

(f) It should be made clear that the environmental problems of the countries of the North are basically attributable to their pattern of economic development. In contrast, the environmental problems of the countries of the South are basically attributable to poverty. In developing countries poverty must be overcome for the environment to be protected. It is thus important that the freedom of Governments to set their own national priorities and policies should be respected.

Finland

[Original: English]

1. The report of the South Commission makes an important contribution regarding the development process, especially in southern Africa. The assessment of the achievements, analysis of the failures and suggestions for the future are also of great value to the countries that are partners in development cooperation.

2. The Government of Finland considers it very important that the work done by the Commission be followed by world-wide discussion. The proposals and recommendations of the report merit wider international interest and follow-up. The Government of Finland has pledged support to the continuation of the work of the South Commission.

Romania

[Original: French]

1. The Romanian Government has received, with great interest, the report of the South Commission, which is the fruit of laborious efforts over the past few years on the part of eminent scientific and political figures from third world countries.

2. Those efforts represent a valuable and timely step towards eradicating the dramatic poverty of the South, a part of the world which the evidence increasingly indicates is relegated, with dangerous consequences, to the periphery of the world economy. At the end of what has been rightly deemed a lost decade for development, the report presents a lucid analysis of the economic and social crisis in the countries populated by three fourths of mankind, and prescribes remedies based on local circumstances and the prevailing external environment.

3. The realism of the analysis, based on a critical assessment of past national and international experience, places the report among the major contributions of recent times to the conception and implementation of a new international consensus on development. Its wealth of ideas and proposals springs from its authors' firm belief in the capacity of developing countries, individually or collectively to mobilize, their resources more effectively in pursuit of national progress, as well as from the emphasis on global opportunities to achieve that end.

4. Romania shares those objectives for reasons which go beyond the fact that its transition to a market economy is accentuating the factors which define it as a developing country. Its history and the burdens it inherited from the totalitarian regime eliminated by the revolution of December 1989 testify that this status directly reflects the structural features and performance of the national economy. The case of Romania, though not unique, demonstrates that

the enormous difficulties on the road to economic and social emancipation are not specific to the southern half of the planet.

5. Having begun to carry out its own critical and lucid reassessments of the past in the context of its sustained pursuit of economic reform, the Romanian Government welcomes the observations in the report which pinpoint the inconsistent or unrealistic aspects of the strategic objectives of efforts to reduce and gradually eliminate North-South imbalances. The valuable concept that growth must be generated from within the economies of third world countries is complemented by the description of the model of "self-reliant and people-centred development", which takes a pragmatic approach in its discussion of such topics as the roles of the State and the market in this process.

6. Another of the report's contributions derives from its complex treatment of the South-South dimension of international cooperation, realistically conceived as one of the components of long-term action to change the world economic map. This approach gives the authors all the more reason to place their hopes in an increased commitment by the international community, free from the clichés and traditionalism of the past, to support the efforts of the South. Adequate responses to global problems, particularly world poverty, as well as to the new challenges facing civilization must undoubtedly be formulated on the basis of shared responsibility, true partnership and the distribution of burdens in proportion to economic might and accumulated wealth.

7. The foregoing attests to the need for all the members of the international community to rethink the problems of the third world, starting with the global or sectoral possibilities and threats, present or future, and with rejection of the temptations of economic egoism and political hegemony.

8. The six-point programme for immediate action, set forth in the last part of the report, thereby emerges as a highly promising alternative to be explored, particularly within the United Nations system, in the context of an authentic international dialogue.

9. The Romanian Government is ready to make an active contribution, in any of the existing forums for debate and negotiation, to the follow-up to this initiative, with its world-wide implications. At the same time, it is taking practical steps to highlight the potential for cooperation with the countries of the South and to make room in its economic and commercial strategy, and to allocate resources, for this valuable opportunity for exchange.

Switzerland

[Original: French]

1. The South Commission Report is notable in that it constitutes a serious effort by the developing countries themselves to take stock of their situation and its causes. The lessons to be learned from the collapse of the communist

regimes suggest, however, that this process of developing awareness will have to continue for some time to come. We believe that the report should be thoroughly analysed by North and South alike in order to carry the process of reflection further. We also appreciate the fact that the members of the Commission were able to bring the study to a successful conclusion, even though certain contradictions in it reflect the diversity characterizing the countries of the South.

2. Switzerland endorses the Report's assessments with regard to the following topics:

(a) The importance of democracy and human rights;

(b) The importance of "good governance", particularly the need for some degree of political and economic decentralization within a flexible but stable institutional framework;

(c) The importance of a "business climate conducive to growth" (characterized by a necessary minimum of liberalism, regulations to reduce restrictiveness and access to institutions and basic services);

(d) The responsibility of the developing countries themselves for the management of their economies;

(e) The importance of South-South cooperation;

(f) The importance of human resources;

(g) The importance of domestic savings, tax system reforms and repatriation of capital.

3. Switzerland does not endorse, or only partially endorses, the Report's assessments with regard to the following topics:

(a) The refusal to appreciate the opportunities presented by the existing world economy because it was created by the industrialized countries, even though certain developing countries (the dynamic economies of Asia, for example) have been able to exploit its opportunities. However, this does not mean that we are denying that the industrialized countries have a responsibility with respect to the establishment of a world trade system that is open to all;

(b) The excessively hardened and hostile views with respect to international economic relations (accusations of economic exploitation and economic colonialism);

(c) The vision of a South which must unite against the North, and the absence of a more realistic and subtle view of a real world in which North-South antagonism is constantly proved outmoded;

(d) The danger implicit, in matters pertaining to the environment and, to a lesser extent, science and technology, in viewing their importance primarily in terms of supplementary aid to be received. We would have preferred to see an acknowledgement that it is in the developing countries' own interest for them to manage their environment and, where appropriate, to invest in it;

(e) The broad call for substantially increased aid from the industrialized countries, to be organized, planned and managed in a manner that runs counter to the principles which have emerged from the new ideas on "good governance" (the new global financial system);

(f) The tendency to cite certain flaws in the market economy as justification for proposals for further State intervention, which would undermine the reforms that have been advocated;

(g) The "global programme of immediate action" relies more heavily on international measures, particularly on the part of the industrialized countries, than on national efforts, particularly those of the developing countries.

4. While these observations certainly are not exhaustive, they should suffice to provide an initial general idea of the Swiss Government's views.

United Kingdom of Great Britain and Northern Ireland

[Original: English]

1. The Government of the United Kingdom of Great Britain and Northern Ireland welcomes this impressive report and believes that it will contribute positively to setting a basis for the discussion of development issues in the years ahead. The report reaches a number of important conclusions and makes recommendations that merit the serious attention of all those concerned with development issues. The United Kingdom particularly welcomes the central message that development must be people-centred, self-reliant, equitable and environmentally sound, and the recognition that development is inextricably linked to democratic, publicly accountable government and respect for human rights. This is fully in line with the Government's belief in the principle of good government and its belief that people should be enabled to contribute to economic growth and social progress and to enjoy their benefits. The Government also welcomes the fundamental importance given to effective population policies, education, and encouraging the development and use of appropriate technology, and the importance that attached to those issues is clearly reflected in the aid programme of the United Kingdom.

2. Although each country is primarily responsible for its own development, cooperation is vital both between countries of the North and South and between countries of the South themselves. Poverty, hunger, malnutrition, disease and lgnorance can be overcome only if a concerted effort is made to implement and

sustain appropriate national and international policies. The report concludes that it is in the interests of all countries on political, economic, environmental and moral grounds to tackle these problems. The United Kingdom supports that conclusion and is working hard towards helping to create conditions that will support national development policies. There are no easy solutions to the problems. All countries should recognize that and make determined efforts towards finding and implementing realistic policies. The report of the South Commission shows much realism and therefore provides a good basis for development efforts in the future.

3. The United Kingdom believes that the trade policies being followed by the North can benefit all countries provided that they have the internal mechanisms to take advantage of the opportunities open to them. A successful conclusion to the Uruguay Round, which all in the North are working towards, will result in increased trade liberalization, permitting the most competitive to reap their rewards. The North can help the South by investing both money and technology in the area, but before it can do that the countries of the South must first make a commitment to respect intellectual property rights and streamline their currently inefficient economies. The latter point is becoming more generally accepted by the least developed countries.

II. REPLIES RECEIVED FROM BODIES OF THE UNITED NATIONS SYSTEM

A. United Nations Secretariat

Department of Technical Cooperation for Development

[Original: English]

1. The report of the South Commission is a refreshing blend of introspection, retrospective analysis and delineation of purposeful policy action in the cause of economic and social progress. While the development experience of many countries during the past three decades has been bleak, several have made notable advances. Drawing on both disturbing and encouraging experiences, the report outlines solid ideas for policy actions by developing countries. Emphasis has rightly been put on the formulation and implementation of pragmatic development strategies in harmony with the prevailing national circumstances.

2. A basic premise of the report is that in view of the unfavourable international economic environment foreseen for the 1990s, renewed development will need to be generated from within the economies of the South based on a self-reliant and people-centred development strategy. This focus augurs well for the future. The report goes on to say that despite the diversity of economies within the South, there are certain principles and objectives which should guide the development course of all countries. These objectives include, among others: investment in human resources to improve capabilities, equity and efficiency; closing the scientific and technological knowledge gap; reviewing the respective roles of the State and market forces; raising the social and economic status of women; and protection of the environment. The report underlines the strategic importance of South-South cooperation for the achievement of development goals.

3. Multilateral technical cooperation can make critical contributions in helping developing countries forge new development strategies and policies, with a judicious balance between the respective roles of the public and private sectors of the economy. One of the key priorities set forth in the report, the development of human resources and supporting institutional structures and mechanisms essential to self-reliance, has always been a main goal and central feature of technical cooperation activities of the Department of Technical Cooperation for Development. In building up national capabilities, throughout its sectors of work, the Department also stresses establishment of capacity for science and technology and for effective use of the relevant state-of-the-art technologies and methodologies.

4. In carrying out its work, the Department fully recognizes the value of South-South exchanges. It therefore makes every effort to foster, through its activities, exchanges and linkages among developing countries. Special training programmes, based on technical cooperation among developing countries approaches, to promote exchanges of expertise and experience and help forge institutional ties, are organized regularly on a wide variety of development questions.

5. The Department continually adapts its substantive capabilities in order to provide technical assistance that responds in optimal ways to new needs, as these arise both from changes in national policies and requirements and from new global development policies supported by intergovernmental legislative bodies of the United Nations. Thus Department-assisted projects have incrasingly focused, for example, on targeting development activities to benefit the poorest segments of the population, such as those in remote rural areas. Mitigation of the adverse effects of structural adjustment policies has also received growing attention, as has the need for improved public administration capacities. To help involve women in the development process, various new kinds of technical cooperation activities have been initiated. Environmental factors are incrasingly being linked to sustainable development consideration and are being taken into account in the design and implementation of Department-assisted projects in, for example, natural resources and energy resources development.

6. Many of the recommendations made in the report are of particular interest to the Department from the standpoint of its work. Linkage at the national level between environment and development, in areas such as water resources and energy, has important implications for the formulation of future technical cooperation activities carried out by the Department. Similarly, the interdisciplinary approaches implicit in recommendations relating to eradication of poverty, rural development and the environment, to name only some, are also highly relevant to the Department's work. The recommendations for modernizing administrative processes, strengthening internal resource-generating capacity and making reforms in development planning also have specific relevance for the Department's future activities, as does the recommendation for people-centred development, which requires reliable social and economic indicators.

7. Policy actions of developing countries will not yield commensurate results if the international economic environment is not conducive to their economic and social progress. In this respect also, the report has outlined useful ideas. We would support in particular the recommendation on global economic management and the United Nations system, specifically that periodic summits of North and South nations be convened by the United Nations to make assessments of global trends and their consequences for development as well as the environment. This recommendation has important implications with respect to the functioning and structure of the United Nations system. It also highlights the fact that operationalizing the recommendations made in the report will require using in the most effective and productive manner the complementary capabilities that exist in the United Nations to support multilateral cooperation in international economic affairs.

8. Because the report's recommendations are so basic to the future course of multilateral cooperation in international affairs, the Department will follow its consideration at the second regular session of 1991 of the Economic and Social Council with great interest. The Department remains fully committed to providing, within the resources placed at its disposal by the world community, efficient support to the development efforts of the countries of the South.

Centre for Science and Technology for Development

[Original: English]

1. The South Commission makes science and technology a central issue throughout its report. Chapter 2, which deals with the state of the South, after analysing the development crisis of the 1980s, presents human resources and scientific and technological development as the bases for renewed hope. Chapter 3 takes up the national dimension of self-reliant and people-centred development, placing special emphasis on strategies for science and technology in development. Comparable emphasis is placed on the role of science and technology in chapter 4, which is about mobilizing the South through cooperation among developing countries, as well as in chapter 5, on North-South relations. Chapter 6, viewing the South as the threshold of the twenty-first century, considers overcoming the knowledge gap (through the mastery of science-based technologies) as a fundamental goal.

2. The report's proposals for action in science and technology are very much in the spirit of those adopted by the United Nations, particularly in the Vienna Programme of Action on Science and Technology for Development and also, more recently, by the Second United Nations Conference on the Least Developed Countries and by the General Assembly in the International Development Strategy for the Fourth United Nations Development Decade. For example, the report gives special importance to the need for the developing countries to cooperate in strengthening their scientific and technological capabilities, especially in scientific and technological education, higher training, scientific research and the building up of independent capacities for technology generation (see The Challenge to the South, p. 190).

3. The Director-General for Development and International Economic Cooperation submitted a report on new developments and trends in the programmes and activities of the United Nations system in science and technology (A/CN.11/1991/5) to the Intergovernmental Committee on Science and Technology for Development at its eleventh session (22 April-3 May 1991). That report duly acknowledges the importance given by the General Assembly to the report of the South Commission and the forthcoming discussion by the Economic and Social Council of its conclusions and recommendations in an informal meeting. The Centre is ready to provide any input that may be required for that discussion.

4. The Centre agrees that priority should be given to the need to enlarge the pool of scientifically qualified personnel, to reverse the migration of talents from the South to the North and to stress education in basic sciences backed by an effective system of research (see The Challenge to the South, pp. 109 and 110). The Centre also considers that equal attention has to be given to the need for incrasing the utilization of the idle and underutilized scientific and technological expertise that exists in developing countries.

5. The Centre finds encouraging the reference made to the need to increase the provision of financial facilities to entrepreneurs seeking to harness new

technologies (see The Challenge to the South, p. 112). That proposal is very much in harmony with General Assembly resolution 45/188 on entrepreneurship, as well as with such initiatives as the recommendations made in the above-mentioned report of the Director-General on the specific issue of the promotion of scientific and technological entrepreneurship in developing countries.

6. The Centre also welcomes the prominence given in the report of the South Commission to the Third World Academy of Sciences (TWAS), with which the Centre cooperates extensively. Such cooperation underscores the urgent need for the establishment of effective research structures in developing countries in order to help decrease their dependence on technologies imported from industrialized countries. The lack of internal capacity is evident not only in the industrial sector but also in such primary development areas as agriculture and health, where signficant comparative advantages exist for technology generation. TWAS was represented at the eleventh session of the Intergovernmental Committee on Science and Technology for Development. The Academy's presence is expected to be fruitful in terms of new ideas for cooperation with the United Nations system, such as the network of research and training centres mentioned in the report (see The Challenge to the South, p. 257).

Centre for Social Development and Humanitarian Affairs of the United Nations Office at Vienna

[Original: English]

1. An interesting aspect of the report of the South Commission is its contention that to encourage development in the South, value systems need to evolve. That suggestion indicates an appreciation of certain aspects of development that might best be called "intangible". This is particularly significant since policy makers and development experts have mostly been unable to translate such intangibles into effective policies and programmes. What they have developed have been programmes for "social development".

2. There is no universally accepted definition of social development. The term has traditionally referred to a broad field of activities in the social sectors - the provision of health, education, housing, welfare services, water and sanitation facilities. Investments in those sectors were thought to lead to social development. This view, however, indicates a rather mechanistic approach to development.

3. The Commission is thus implicitly endorsing the view that development cannot be measured simply by the attainment of higher incomes or improved physical infrastructure; it can, however, be understood as a process that, among other things, brings such improvements about. Development is thus defined by the increased ability of individuals to control their own lives - to create their own "social space" - through economic, political and social action. This requires that the goal of development must be to improve the dynamic relations within societies and not merely the physical manifestations

associated with material accumulation. Therefore, when striving for social development, more attention needs to be given to the processes and the methods of development.

4. Rather than labelling the process "social" or "human" development, it may be preferable to refer to development from a social perspective. A central aspect of the process is participation through some form of action or activity undertaken by a group of people to meet their needs and resolve their problems. This social perspective rejects the definition of development as the provision of physical infrastructure, but refers instead to the processes whereby people - and especially the previously excluded poor or disadvantaged people - seek to participate actively in decisions affecting their lives; it is concerned with the social dynamics leading up to the taking of action, the decision-making issues involved, the educational processes that support people's abilities to take such actions, and the instruments and methodologies employed. A social perspective encourages not just action taken in response to the suggestions of others, but also the internal processes that develop people's solidarity and their ability to create and undertake actions themselves.

5. If, however, the report has a shortcoming, it would lie in its failure to sufficiently elaborate a scenario for development in such terms. The Commission seems to enter unfamiliar territory when discussing social processes, and the report does not explore the notion in depth. It is interesting to note that not a single member of the Commission is described as a sociologist or social planner. The Commission is composed almost exclusively of economists, financial experts and politicians.

6. Much more work needs to be undertaken, at all levels, in order to elaborate an appropriate notion of development from a social perspective and to seek methods to implement it. That work cannot be done in isolation. In this context, sociologists and social planners should be given greater say in all development planning activities, and economists and physical planners need to be more open to innovation and willing to include social practicioners in planning activities from the outset.

7. The report might also elaborate more fully on the current and potential role of the organizations of the United Nations system in development activities. While attention is given to the financial institutions (the World Bank and the International Monetary Fund), technical cooperation activities of the system are generally overlooked. There might be much to gain by emphasizing increased multilateralism in development assistance.

8. To make it more effective, multilateral assistance should be reformulated to reflect changing development priorities. The vast majority of current technical cooperation projects focus on the delivery of products or services. The current project cycle encourages short-term thinking and the achievement of physical manifestations of development, along with the transfer of knowledge and skills. Instead, projects should fulfil an enabling function. What is required is long-term, process-oriented thinking and the development of local knowledge and skills.

9. Multilateral assistance could effectively support such development activity. Ideally, it would avoid certain political constraints associated with bilateral assistance programmes, while encouraging a multicultural perspective and flexible approaches. Furthermore, multilateral agencies could encourage institutional strengthening in developing countries. The research and other substantive work undertaken by the United Nations and its related research institutes should find an empirical outlet in the development cooperation activities of the system. Governments of developing countries, working together, might encourage the international organizations to alter administrative procedures and organizational arrangements to ensure that they remain responsive to the needs of those countries.

10. An issue of increasing importance in the coming years will be the influence of multilateral organizations in governmental decision-making. This is a sensitive area in which ground rules are constantly shifting. The dictum that Governments decide on policies and priorities and agencies assist in their implementation remains the cornerstone of development assistance. Nevertheless, in many countries there is a strong need for the assistance and policy advice provided by organizations of the United Nations system. Increasing world interest is also focused on respect for universal human rights, the attainment of which will certainly receive more priority in the interaction between Governments and the United Nations system. Much more attention needs to be given to that question, and the views and priorities of Governments in developing countries need to be examined.

United Nations Development Programme

[Original: English]

1. The United Nations Development Programme (UNDP) welcomes the report of the South Commission and regards it as an important contribution to the elaboration of strategies for international economic cooperation and for development in the 1990s. In particular, we find the areas of focus in the report to be entirely consistent with the UNDP mandate to support a more people-centred development process. In addition, the issues raised by the South Commission report are fully in harmony with the International Development Strategy for the Fourth United Nations Decade, which has now been endorsed by 145 countries. We can increasingly observe a convergence of priorities, in which Governments in both the North and the South recognize the need for accelerated growth, human resource development, environmental sustainability, poverty alleviation, an enhancement of the economic and social status of women, and an appropriate role for the State.

2. UNDP is especially impressed by the reassessment in the report of the roles of the State and the market: in particular, the importance of orderly and stable economic management; the need to review regulatory policies to ensure that they do not hamper entrepreneurship, technical advances or competition; and the importance of efficiency in resource allocation. UNDP also endorses the recommendations in the report concerning the need for

institutional reforms to enhance the administrative capacity and efficiency of the public sector. The need for an environment conducive to entrepreneurship and for the removal of bureaucratic impediments that discourage investment and innovation are recommendations that UNDP also supports.

3. The report's recommendation of a development strategy that gives priority to women's social and economic advancement is one that UNDP supports strongly. Actual implementation of this strategy, however, does call for a more comprehensive perspective on the reasons why so little progress has been made in enhancing women's status, and how to translate objectives for women's advancement more effectively from rhetoric into reality. An issue such as this, which is so integral to any development process, calls for a culturally sensitive but committed review of the constraints now operating.

4. UNDP also continues to emphasize the need for strengthened South-South cooperation. Indeed, technical cooperation among developing countries is one of the areas of focus highlighted by Governing Council decision 90/34. Even before that, UNDP had supported a wide range of activities aimed at strengthening regional economic cooperation among developing countries. The considerable efforts that have been made in the past to enhance regional cooperation could have benefited from a strategic review of ways of increasing the effectiveness of such activities in the future, in particular, ways of identifying tangible national benefits in each programme that can be monitored, which would make regional integration more attractive to all parties. There is a clear need to demonstrate maximum benefits and minimum losses to all countries involved in programmes for regional economic cooperation.

5. UNDP is conscious of the extent to which the unfavourable external environment of the 1980s has had profoundly negative consequences for economic and social progress in developing countries. However, UNDP would also emphasize the importance of national capacity as a solution to problems in the developing countries. A beneficial external environment does not by itself translate into national economic and social development unless national policies are conducive to development. Thus, national capacity, including policy capacity, is vital to sustainable development, and furthermore, is often a critical and essential ingredient in the achievement of national goals, especially in the context of unfavourable international conditions.

6. Concerning the Six-Point Programme for Immediate Action, UNDP endorses the proposals to increase significantly the volume of concessional resource transfers to developing countries, to establish multilateral arrangements for ensuring sustainable development, to lift protectionist barriers, and to develop mechanisms to protect developing countries against excessive fluctuations in international interest rates, exchange rates and terms of trade. However, in creating the conditions for enduring social and economic progress in developing countries, changes must begin from within, since developing countries themselves are the principal actors in the development process. As the report itself states, "national policies are the foundation for the successful pursuit of development objectives". Thus, developing

countries must continue to enhance their capacity to absorb and efficiently utilize additional concessional finance, to create the internal conditions for effective utilization of both domestic and international resources, and to demonstrate a commitment to the achievement of social goals.

Office of the United Nations High Commissioner for Refugees

[Original: English]

The report of the South Commission has been found very interesting. The Office of the United Nations High Commissioner for Refugees has no specific comments to make on it, except that in some regions the refugee situation has reached such dimensions that it impacts, as cause or effect, the global economic situation.

World Food Council

[Original: English]

1. The World Food Council (WFC0) is pleased that the report of the South Commission addresses so many of the issues that WFC has also stressed in recent years. The report correctly identifies the development challenge of the South as a global problem whose solution requires concerted international effort, while also recognizing that the developing countries themselves must be key protagonists in the struggle to fight poverty and social decline.

2. WFC is impressed by the report's stress on people-centred development and the promotion of equitable economic growth. WFC has also long emphasized that development must benefit all people, and that this requires economic growth that increases the income and the employment opportunities of the poor. WFC also has urged, as does the report, that major attention be given to the development of human capital, through well-targeted policies and programmes to improve nutrition, health care, sanitation, housing and education. Improvements in the health and well-being of the poor are correctly identified by the South Commission as essential to development.

3. The report rightly observes that the problems of the South are intimately linked to the problems of the North, and that the economic, social, political and environmental costs of underdevelopment threaten the security and well-being of all nations, rich and poor alike. Everyone has an interest in ending the vicious cycle of poverty, rapid population growth, environmental degradation and hunger. In short, WFC agrees that in the last analysis, the interests of the South and the North are not in fundamental conflict with one another.

4. In this regard, WFC concurs with the report's emphasis on reducing trade protectionism in the North: increased developing country access to Northern markets in the long run would produce considerable benefits for all. Less protectionism would benefit consumers everywhere, increase economic efficiency and remove a key obstacle to faster growth in poor countries. This, in turn, would ease South-North migration and would provide new markets and investment opportunities for both developing and developed countries.

5. Finding a solution to the debt problem is also in the interests of all, as debt impedes the relaunching of growth in many developing countries and thereby undermines their ability to grow and contribute to global economic production and trade. Similarly, as indicated by the South Commission, increased flows of official development assistance (ODA) could be of considerable utility in releasing the productive potential of poor countries.

6. The World Food Council also has long advocated the theme stressed by the South Commission that economic adjustment programmes must be designed and implemented with a keen eye to the reduction of poverty and malnutrition, if they are to succeed in promoting genuine economic revival and long-term development. The establishment of external balance at the cost of more

poverty and hunger is illusory adjustment, as it perpetuates underlying economic and social weaknesses. By contrast, adjustment that heeds the needs of the poor lays the basis for stronger long-term growth. The developed countries and international financial institutions must continue to increase their sensitivity to this basic truth if adjustment is to succeed in producing sustainable economic growth.

7. Increasing the productivity of small farmers and landless rural workers - the majority of the world's poor - is essential to improving food security. In this regard, WFC agrees with the report's identification of more equitable land ownership as essential in many countries to reducing poverty and improving efficiency in the use of land, above all by providing farmers with the means and the incentive to raise productivity. Past WFC documents also have stressed the importance of increasing off-farm employment, such as rural works and agro-industry. WFC is also pleased to see that the report recognizes the importance of remunerative prices to farmers, through appropriate exchange rate, tariff and domestic price policies. It also concurs with the report's emphasis on the importance of women as food producers in developing countries.

8. The report of the South Commission is an important example of the growing awareness of the urgent need for concerted international action to fight poverty, hunger and environmental damage, so clearly related to the economic weakness of many developing countries. The World Food Council will continue its efforts to encourage and coordinate such action as it relates to the food security mandate of WFC.

World Food Programme

[Original: English]

1. The World Food Programme (WFP) subscribes to the view expressed by the South Commission that "the responsibility for securing its development rests with the South ... [but that] the policies followed in the North will continue to have an impact on the South's performance" (A/45/810, p. 17).

Food security

2. WFP is pleased to note the prominence given to food security as the first issue addressed in the section of the report concerning the national dimension. This subject was highlighted in a joint study that WFP has recently completed with the World Bank, entitled "Food aid in Africa: an agenda for the 1990s", which focuses on sub-Saharan Africa. While Africa has the potential to feed itself, projections indicate that food imports may realistically be expected to at least double during the 1990s.

3. The items listed in the report of the South Commission to be included in a strategy to eradicate chronic food insecurity are quite comprehensive (see A/45/810, pp. 20 and 21). Integrated food security action plans covering the production, marketing and consumption of food are required. More emphasis might have been given to the need to improve markets, with a judicious balance between public and private sector activities and a clear policy on producer and consumer pricing. Policies for addressing chronic food insecurity include increasing the food supply (through production, imports and improved market integration), subsidizing consumer prices and targeting income transfers.

4. The long-term solution lies in improving income and employment on a permanent basis. In the interim, however, interventions such as food subsidies and shorter-term programmes to provide employment and income and access to food are required. If sharply focused on vulnerable groups of people that lack food security, expenditure on food subsidies could be modest. Such people comprise different subgroups. Cost-effective programmes to improve food security should be tailored to the needs and circumstances of each group. Drought or emergency prevention and preparedness plans, as appropriate, should be drawn up for each developing country, which would include safety nets to ensure access to food by the poor in both rural and urban areas.

Human resources

5. WFP strongly subscribes to the importance given to human resource development in the report, which is in keeping with the recent major publications, statements and resolutions of the United Nations and its organizations. While the goal of achieving "by the year 2000, universal primary health care, universal literacy and education for all children of primary school age" (A/45/810, p. 21) should be supported, it is unlikely that it will be attained unless there is a fundamental restructuring of public expenditures in the developing countries and a greater focus of current aid on those objectives, as well as a significant increase in development assistance.

The roles of the State and the market

6. WFP agrees with the view expressed in the report for the need to determine an appropriate balance between the State and market forces in the development process (A/45/810, p. 19). As is pointed out, experience has shown that while privatization and strengthening the private sector will be essential, the prescription of "letting the market work" is also inadequate. The need for strong public and private institutions working cooperatively for democratically agreed objectives is essential. We therefore support the view that finding the right balance will be a key task for policy makers.

7. WFP experience has been mainly with food markets and trade, where the difficulties, particularly in Africa, are formidable. Neglected infrastructure - inadequate and poorly maintained road systems, inefficient ports, unreliable utilities - greatly increase the cost of doing business. Marketing and trade activities are often dominated by high-cost, inefficient parastatal organizations with a monopoly on food transactions. Market and price policy, and tariff and non-tariff barriers, militate against the private sector and efficient practices.

8. Sound and sustainable trading patterns within and among countries of the South will require fundamental domestic economic and trade policy reforms. The development of intra-country and inter-country trade should also receive close attention by donor countries and aid agencies in the financing of essential infrastructure, in the provision of technical assistance to build up management capacity and improve information systems and regular market intelligence, and in the negotiation of policy reforms aimed at reducing tariff and non-tariff obstacles.

The gender dimension

9. It is now widely recognized that raising the social and economic status of women is essential for achieving equitable and sustainable development. Yet there remains a great deal of tokenism on this issue. It is notable that the South Commission not only places this issue low down on the list of issues addressed but also does not identify particular courses of action, as it does for many of the other issues. For example, it is observed that there is a strong correlation between improving the education and economic status of women and reductions in population growth - a subject on which the report is silent.

The environment

10. While the report rightly highlights the importance of preserving the environment in order to ensure sustainable development, no reference is made to costs and how those costs can be met, both the initial cost of environment improvement and protection measures and the maintenance costs involved.

South-South cooperation

11. WFP is the largest buyer of food in developing countries for use as food aid. Since 1985, the Programme has bought nearly $500 million worth of food in developing countries, making the biggest contribution to South-South trade in the United Nations system, as these purchases can serve to promote inter-country trade over the longer run. This, in turn, could improve food security and lessen dependence on markets and supplies in the North. As pointed out above, however, radical reform is required to lower tariff and non-tariff barriers, as well as a concerted programme of activities and assistance to improve infrastructure, management and services.

North-South relations and the international system

12. The report correctly emphasized the importance of establishing national trading systems between the North and the South. The Uruguay Round of multilateral trade negotiations is particularly important in this regard, especially as it can affect food availabilities and transactions. Agreement on reducing agricultural subsidies in the major developed exporting countries would be of benefit to food exporting developing countries. It could, however, lead to reduced food availability and higher prices for poor food-importing countries. As has been proposed during the negotiations, there is therefore need for a multilaterally administered international arrangement, not only to ensure fair trading practices but also to ensure that food is available on concessional and grant terms, while preventing circumvention of disciplines on export subsidies under the guise of food aid.

Towards the twenty-first century

13. The report ends with the identification of key tasks for which "the South must harness all of its energies" (A/45/810, p. 55). One item is missing or muted, which is now identified as crucial for the attainment of the "self-reliant and people-centred development" advocated by the South Commission, namely, what is now fervently referred to as good governance, democracy and accountability. The report recognizes that "lack of democracy, corruption, and militarization further eroded the economic and political bases for development" (A/45/810, p. 9). Unless the task of removing these major obstacles is frontally addressed, the goals and objectives of the South Commission will not be achieved.

B. Specialized agencies and related organizations

International Monetary Fund

[Original: English]

1. The South Commission's review of the experience of developing countries is a useful contribution to the ongoing debate about which policies work best. The International Monetary Fund (IMF) was glad to see that the Commission recognized both the importance of taking a country's particular circumstances into account when designing and implementing economic policies and the emerging consensus on the common elements of sound economic strategy. IMF noted the Commission's statement that no country can make economic progress without reasonably stable macroeconomic conditions, as well as its comments on the high costs borne by countries that failed to adopt comprehensive reforms early enough in the 1980s to arrest inflation and to avoid declining investment and worsening external payments problems.

2. While the Commission endorses the pursuit of stable macroeconomic policies and appropriate exchange rate policies to promote sound economic growth, its views on structural adjustment are less clear-cut. IMF recognizes that "the jury is still out" on the longer-term results of structural reforms adopted by many countries in the late 1980s, but a number of recent analyses, including those done within the Fund, point unmistakably to the net beneficial impact of structural reforms, when properly and promptly implemented and backed by adequate financing. IMF would hope that this point could be brought forward during the informal exchange of views to be held during the second regular session of the Economic and Social Council in 1991.

3. The importance of financing brings up a second point - the need to increase savings and investment in the South. The Commission rightly favours a higher level of domestic savings in developing countries to finance productive investment and consequent economic development, particularly at a time when prospects for expanding foreign assistance are slim. The informal exchange of views could usefully address the question of what economic policies are conducive to raising the level of domestic savings and to creating domestic conditions favourable to the retention of savings and their allocation to the most productive economic activities. Also, the commission seems not to have given much consideration to the possibility of attracting foreign investment - another topic that could be taken up by the Economic and Social Council.

4. Finally, IMF cannot refrain from drawing attention to what appears to be the Commission's misunderstanding of conditionality as it relates to the use of Fund resources. Conditionality consists of broadly defined quantitative targets, accompanied by an indication of the policies the borrowing Government intends to follow to realize the targets of the reform programme it has adopted. Its purpose is to ensure a successful outcome of the programmes by ensuring an efficient use of resources. Conditionality does not infringe upon a member's right to make basic allocative decisions between and within economic sectors. Indeed, it is precisely because national authorities retain a wide range of options for economic reform that IMF places such high value on analysis and discussion in every possible forum of the implications of their choices.

International Maritime Organization

[Original: English]

From an initial review of the overview and summary of the report of the South Commission (A/45/810), it is clear that the recommendations touch upon various fundamental issues with broad and important implications for international cooperation.

General Agreement on Tariffs and Trade

[Original: English]

Trade in services

1. The General Agreement on Trade in Services (GATS) is intended to consist of three pillars: first is the multilateral framework containing two main sets of provisions. One set comprises principles of a general nature, which apply automatically to all service sectors at the entry into force of the agreement. The other comprises specific provisions to be applied by each party in accordance with the negotiated commitments appearing in its schedule. Provisions of general (and automatic) application across all service sectors include not only traditional principles such as transparency and most-favoured-nation treatments but also concepts relating to harmonization and recognition of standards, qualifications etc., monopolies and exclusive service providers and payments and transfers. Development-related concerns are reflected in concepts that provide for the recognition of existing asymmetries with respect to the degree of development of service regulations in different countries (domestic regulation) and for means to increase the participation of developing countries in world trade in services (increasing participation of developing countries).

2. Principles of a negotiated (as opposed to a general) application include market access and national treatment. Through market access, GATS would ensure that each party grants services and service providers of other parties treatment provided for under the terms, limitations and conditions agreed and specified in its schedule. Through national treatment, each party would accord to foreign services and service providers, treatment no less favourable than that accorded to like domestic services or providers of like services. The flexibility that countries would retain to negotiate the conditions under which market access and national treatment are granted, gives operational content to the expressed objective in the framework that the liberalization process be progressive and take into account the level of development of individual signatories. This feature of the framework is considered important by many developing countries whose service sectors do not yet match the level of technological sophistication and competitiveness apparent in developed countries.

3. The second pillar of the agreement is the sectoral annexes, the aim of which is to clarify, interpret and/or qualify the application of framework provisions in the light of any sectoral peculiarities. The need for such annexes has long been recognized, as a number of sectors have specificities that make it necessary to indicate the basis upon which they could be covered by the multilateral framework. It should be noted that alongside working groups established to determine if annexes were necessary for individual sectors, a working group on labour mobility was established by the Group of Negotiations on Services (GNS) to look into this aspect of trade in services. Labour mobility is relevant for all service sectors and is considered of crucial importance by many developing countries.

4. Against this background, participating countries have begun to submit conditional offers to be agreed in negotiations, which would bind market access and national treatment regimes in respect of measures applying to trade in services. This is the third pillar of GATS. The process of making, discussing and improving offers was initiated prior to the Brussels ministerial meeting. At present, 25 countries, accounting for almost 90 per cent of world trade in services, have formally submitted offers to liberalize various aspects of their trade in services.

Trade-related investment measures (TRIMS)

5. The objective of the negotiations on TRIMs is to avoid the trade restrictive and distorting effects of investment measures. That is to be achieved by negotiating, as appropriate, further provisions, beyond what is already contained in the General Agreement on Tariffs and Trade (GATT), that may be necessary to avoid such adverse effects on trade. At the mid-term review of the Uruguay Round, trade ministers elaborated on the task they had set for the TRIMs negotiators in Punta del Este and instructed them, inter alia, to integrate into the negotiations development aspects that would require consideration.

6. Negotiators have engaged in an examination of the operation of GATT articles related to the trade restrictive and distorting effects of investment measures. Two particular GATT articles are viewed by many participants as being related: those are article III, which requires that imported products be treated no less favourably than like products of national origin, and article XI, which requires the general elimination of import and export prohibitions and restrictions other than duties, taxes and other charges. To the extent that articles III and XI are accepted as being related to the adverse trade effects of investment measures, article XVIII of GATT is acknowledged to provide flexibility for developing countries in their use of those measures.

7. Negotiations have taken place on what further provisions may be necessary to avoid the adverse trade effects of investment measures. However, a considerable distance continues to separate the positions of individual participants. Broadly speaking, some participants favour a case-by-case approach through a trade effects test and dispute settlement. Some favour the case-by-case approach plus the prohibition of local content requirements and certain other investment measures under GATT articles III and XI. And some favour the case-by-case approach plus prohibition under existing GATT articles plus a new prohibition on the future use of export requirements. Where the prohibition of investment measures is envisaged, an element of balance is sought through the provision of transitional periods for eliminating prohibited measures.

8. This divergence of view was reflected in a draft text drawn up by the Chairman of the Negotiating Group in November 1990. Some participants could not accept that text as an agreed basis for final negotiations. Consequently,

a list of four issues requiring the attention of ministers was sent forward to the Brussels meeting. The four issues are: (a) What should be the coverage of a TRIMs agreement? (b) What level of GATT discipline should apply to the use of investment measures? (c) What additional flexibility should be provided to developing countries? and (d) Should an agreement on TRIMs address the restrictive business practices of private enterprises? Those issues were not resolved in Brussels.

Trade-related aspects of intellectual property rights, including trade in counterfeit goods (TRIPS)

9. The main objectives of the Uruguay Round negotiations on TRIPS, as contained in the Punta del Este Declaration, have been to reduce distortions and impediments to international trade arising in connection with intellectual property rights and to establish a multilateral agreement dealing with international trade in counterfeit goods. These objectives were elaborated by the 1988 mid-term review agreement, by which it was decided that the negotiations would encompass the provision of adequate standards concerning intellectual property rights (IPRs), effective and appropriate means for their enforcement and effective and expeditious procedures for the multilateral settlement of disputes between Governments, as well as strengthened commitments to resolve disputes on TRIPS matters through multilateral rather than unilateral procedures. The mid-term review decision also made clear that the negotiations would be undertaken without prejudice to views on the appropriate institutional framework for the international implementation of the results and that consideration would be given to concerns raised by participants relating to the underlying public policy objectives of their national IPR systems.

10. Two draft agreements were sent to the Brussels ministerial meeting in December 1990. One concerns trade in counterfeit and pirated goods; the other deals with all TRIPS issues. The existence of these two draft agreements is a reflection of the fact that different views continue to be maintained on the question of the relationship to GATT of the results in areas other than trade in counterfeit goods, including arrangements for the settlement of disputes.

11. The main substantive provisions of the draft agreement sent to Brussels dealing with TRIPS as a whole would establish certain general provisions and basic principles, such as national treatment; minimum standards that Governments should provide in the areas of copyright and related rights, trade marks, geographical indications, industrial designs, patents, layout-designs of integrated circuits, the protection of undisclosed information and the control of abusive or anti-competitive practices in contractual licences; and procedures and remedies that should be available, both at the border and internally, for the enforcement of IPRs. The draft agreement on trade in counterfeit and pirated goods would establish in a separate agreement the same procedures and remedies concerning enforcement at the border.

12. Apart from the questions concerning institutional arrangements and dispute settlement already referred to, a number of major issues were not settled and remain outstanding to this day. Some of them concern the level and scope of protection that countries should be obliged to accord to IPRs, notably in the areas of patents, copyright and related rights, geographical indications and undisclosed information. A number of decisions also have to be taken in regard to transitional arrangements, notably their duration for developing countries, including the least developed among them. In regard to enforcement, some concern continues to be expressed about the extent to which due recognition is given to the administrative and financial constraints facing developing countries.